



Developmental Aid in Sino-Ethiopia Relations: An Appraisal

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Abstract

The paper focuses on the developmental aid as carried out by China in its relations with Africa, having Ethiopia as a point of departure. The paper adopts descriptive research, from which findings show that since 1996 to 2006, the volume of imports, exports and aid between the two countries has increased exponentially. The paper concludes that, the cooperation has begun to have spill-over effects to other areas such as cultural exchanges, economic activities and investment. The paper recommends that china should expand to manufacturing sector against just construction among other things.

Keywords: Developmental, Aid, China, Ethiopia, Relations, Bilateral.

1. Introduction

Relations between African and China dates back as early as the period when Africa was able to free itself from the shackle of colonialism becoming a continent with the ability to decide its own affairs with the outside world. However, in recent years there has been a dramatic increase in the level and intensity of these relationships. These, as argued by Saleh (2009) is due to the dramatic growth and modernization of China and here attendant industrial, energy and market expansion needs. Following its accession to the World Trade Organization (WTO) and its rapid growth, China became and is trending as an important partner the world economy, including the states in Africa such as Ethiopia. Alden (2003) posits that “at a time when the world seems preoccupied by events in the Middle East and the “global war on terrorism”, China’s growing engagement in Africa including Ethiopia has got little noticed in the west, which as a state is not an exception in these romances. The last decade witnessed unprecedented growth in China –Ethiopia relations. In recent years, china became important trading partner for Ethiopia accounting to about 15% of its trade which was known before 2005 (Alemayeh and Meskel, 2009). Thus Chinese interaction in the Ethiopian economy is becoming stronger than ever.

This interaction has been observed not be a strait jacket one as it came with opportunities and challenges as put by Alemayeh and Meskel (2009) including competition in terms of export and local trade that may not be conducive to the labour intensive Ethiopian manufacturers, including the use of Chinese contract or labour, rather than local workers in Chinese sponsored projects in Ethiopia. While the opportunities are for domestic consumers to consume cheap import from China and that domestic producers may also benefit from cheaper and appropriate technology from these countries. However, in spite of these challenges, in others to achieve its industrialization pursuit Ethiopia needs China for economic assistance as an alternative source to the west and as a role model of economic development considering the “cost” of relating with China compared to the west as well as the ability of china in creating developed economy through industrialization and its unique experience of bringing people out of poverty within a short period of time.

2. Theoretical Framework

There exist so many theories that explain the actions of states internally as well as internationally. Regional Integration is not left out. The paper employs the structuralist theory of integration in examining and explaining the Ethio-China bilateral relations. Structuralism is constructive in nature and Marxist in orientation (Sheriff, 2016). The structuralist theorist sees international system as a structural whole, they believe that the international economies are structured in a different strata and structure, some are rich, and some are poor. And also, within the rich, some are richer and vice versa (Sheriff, 2013). Structuralism or Constructivism is built on some assumption which they term the determinant of integration. These include: identity, interest and threat. According to the structuralists, these factors are necessary in terms of integration, that a state should take into consideration the interest and identity of the integrating partner and also checking to ensure that the partner is not a threats. Taking this assumptions into consideration, one could easily understand why the Sino –Ethiopia relation has improved in recent time.

Gedion (2009) pointed out that the factors that strengthen the current political and economic relations between china and Ethiopia can be seen from the perspectives of both sides. On the Ethiopian side, the country needs China for economic assistance as alternative to the West and China’s development is generally considered as a role model for Ethiopia.

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Secondly, China supports Ethiopia on different International issues, (Fantanhun, 2013; Gedion, 2009). On the Chinese side, Ethiopia is seen as a favourable market to Chinese firms and companies because of its strategic location and population. The support of Ethiopia for China in her policy towards Taiwan among others is reasons to be considered. International ally, the position of Ethiopia as the diplomatic capital makes it attractive to China as a stand or pillar for her African relationship (Fantanhun, 2013).

3. Historical Background of Ethio-China Relations

As noted earlier, china – Ethiopia relations has a long term history but it is not until 1970 that official relationship was established by the two states as sovereign state. Histories have traced the first contact between china and Ethiopia through unofficial to around 202BC. This they attributed it to two basic factors: first is economic activities where china is said to have been importing rhinoceros from Abyssinia and secondly that there exist phonetic similarities between the then Chinese Hough and the Ethiopian Ge – eze languages (Muna, 2015). China and Ethiopia shared the same feelings towards foreign invaders because of the experience they also shared. In the 1930s, the Chinese people provided political and moral support to the Ethiopians against the Italian fact of and struggle for independence, being one of the (5) five states that refused to recognize Italy's occupation of Ethiopian, on the other hand, the Chinese government had received tremendous support from Ethiopia for the legitimate membership of in the United Nation between 1959 -1970 (UN) (EEA/EEPR1, 2009). Formal diplomatic relations between Ethiopia and china was established on December 1, 1970 when Ethiopia recognized Taiwan as a part of China and China reciprocally recognized Eritrea as a part of Ethiopia respectively.

Also, Seifudein (2012) posits that the convergence of both China and Ethiopian interest in the early 60s set the stage for improved bilateral relations between the two countries, as each country was looking out for new friends especially Ethiopia. The Derg regime saw a strained relationship between the two states due to ideological difference as argued by scholars. Thakur (2009) noted that the Mengistu's Derg regime saw a strained relations with china because of the formers close relations with USSR and a case of ideological differences. This continued till mid 1980s when the Ethiopian Foreign Minister visited china in 1987 which was followed by president Mengistu's visit in 1989 and 1991 (Muna, 2015). In response, China extended a loan of \$15 Million for the design and construction of a national stadium and ring road in Addis Ababa (Seifudein, 2012).

The fall of the Derg Government to give way to a new government led by the Ethiopia revolutionary Democratic front between China and Ethiopia, the relationship began to surge in the mid-1990s when the Government of prime minister Male Zenawi encouraged closer ties with China to tap into its financial resources and balance ties with western countries, particularly the United States. Today, China is arguably Ethiopians most important economic partner (Shino, 2015). The current relationship between China and Ethiopia in the words of Kashesey (2009) saw a healthy and continuous development with a number of mutual visits by high ranking officials of both states which has helped in achieving a number of cooperation agreements between the two countries in areas like culture, science and technology, education and military affairs.

4. Results and Discussion

The contact between china and Ethiopia cut across almost all ramifications ranging from official contacts or visits and treaties, economy trade infrastructure etc.

4.1. Political

Even though history has it that the early stage of Sino-Ethiopian relations was economic, though unofficial, the formal relationship between the two countries was built to the political foundation. Basically, the first relation in modern time was the recognition of Ethiopian sovereignty by China in the 1930s during the Ethio –Italia wars. This was reciprocated by Ethiopia at a time China needed it most, during her legitimate membership in the United Nations (UN) (Muna, 2015). In 1988, a joint ministerial commission was established which set up a framework for how technical projects would be implemented (Thakur, 2009). In 1964, Chinese premier Zhou Enlai paid an official visit to Ethiopia, while the Ethiopian emperor Haile Sellasie visited Beijing, China in 1971 where he was received by Mao Zedong (New York times, 1975). In July 1989, January 1991 and January 1994, the Chinese vice –premier and minister of foreign affairs visited Ethiopia while President Jiang Zemin visited Ethiopia also in May 1996 (CIIC). In June 2001, the Ethiopia deputy foreign minister was in Beijing where he declared Ethiopian support for the “one China” principle in the dispute between China and Taiwan (People's Daily Online, 2001). The people's daily (2004) also reported that Chinese premier Wen Jiabao had visited Ethiopia in December 2003 to attend the opening of the China Africa cooperation forum. Also, the heads of Chinese and Ethiopian legislatures met in Beijing and said the two states wish to expand all aspect of cooperation through a joint statement. The Chinese assistant minister of commerce, Wang Chao was at Addis –Ababa in May 2007 where he signed a debt relief agreement worth US \$ 18.5million in February 2008, the Chinese minister of construction was in Ethiopia and re-emphasized the commitment of the two governments to cooperation (China Daily 2008).

4.2. Agreements Between the two Countries include

- a. Sino – Ethiopian Trade Agreement (1971, 1976)
- b. Sino –Ethiopian Trade protocol (1984, 1986, 1976)
- c. Sino – Ethiopian Agreement for Trade, Economic and Technological Cooperation (1996)
- d. Sino Ethiopian Agreement for mutual protection and promotion of investment (1988), (EEPR1 2008)

- e. Agreement for economic and Technological cooperation (2002) and
- f. Agreement to eliminate double taxation and others (2009) (Alemayehu, 2008; Muna, 2015)

Sino – Ethiopian relation in the last decade is dominated by economic terms. Between 2000 and 2014, China has provided over \$ 12 billion in loan finance. There exist a growing Chinese investment in the Ethiopia Economy, while imports of cheap consumer goods from China (\$ 3.4 billion in 2015) greatly exceeding exports from Ethiopia to China at (\$ 380 million in 2015) (Desta, 2009). By 2009 direct Chinese investment in Ethiopia had reached \$ 900 million. Between 2002 and 2006, there was a dramatic growth of export from Ethiopia to China at around \$ 130 million mainly in raw materials while export from China to Ethiopia had also grown from under \$ 50 million in 1996 to \$ 4.30 million in 2006, mainly in finished goods like cloths, electronics (Gamora, 2009). Furthermore, Bilateral trade between China and Ethiopia had grown to \$ 3.8 billion 2015, with Ethiopian export encouraged through special quota and tariff arrangement on many goods (Ethiopolitic.com, 2009).

4.3. Infrastructure Loans

The area of infrastructure is a sector in which a discussion on Ethio-China relations would not be complete if it is not discussed. Integration between China and Ethiopia has seen a great light in aspect of infrastructure as it helps not only the Ethiopian state but also helps in providing market for Chinese contractors. Thakur (2009) argued that Chinese firms have been winning contract on many reasons in Ethiopian including: their abilities to complete project on schedule, keeping cost down when bidding which give them advantage against other firms. Most recently there has been a rise of joint Sino-Ethiopian firms especially in the construction industry, for instance, the (RBC) Road and Bridge construction company has to itself over 23 roads, flyover and bridge projects in the country, with a budget of over \$ 500m and 1500 employees. Also Nov –La is Ababa and the oromia region, investing about the \$ 41 million and employing 500 workers (Thakur, 2009).

The Addis Ababa ring road was built partly with Chinese funding, with the CRBC as the major contractor (Xinhua News, 2003). Thakur also asserted that as at 2009, china had intersection Flyover Bridge in Addis-Ababa, 54% of whose construction was completed by May 2008. In addition, the China's Exim Bank provided \$500 million in loans meant for 11 project including roads and bridges. As of 2008, there were on-going negotiation for loans meant for Muger Cement Factory and the Fan hydroelectric power station, both valued at \$100m (Thakur, 2009). In 2002, the very important 300 megawatt Tekeze hydroelectric power project began. The \$224 million project was built by China National Water resources and Hydropower Engineering Cooperation, the Gezhouba Group and the state run Ethiopia Electric Power Cooperation China's Exim Bank provided \$50 million loan with an interest of 1.75% to be completed by china on \$365 cost. (Teklemarian, 2008).

In the area Telecommunication, the Exim Bank supported Zhong Xing Telecommunications Equipment Company Limited (ZTE), on the \$822 million project. Also, in 2006, the Ethiopian Telecommunication Cooperation signed an (MOU) memorandum of understanding with three Chinese firms to undertake three major telecommunication service expansion projects (Thakur, 2009). In the agricultural sector, China adopted a tripartite integration which involve the UN, China as well as Ethiopia within these frame, China has since 1998 been providing Ethiopia with technical aids on agriculture.

4.4. Developmental Aid

As at 2009, the Chinese government had spent \$24 million on Ethiopians as grant to help construct houses, schools etc since 1995 as well as \$82 million in loans mainly for roads since 1988 and in 2006, china cancelled Ethiopian's Bilateral loan (Bilateral Department 2008). The Chinese government also built the largest Technical and Vocational Education Training College in Ethiopia, which was open in 2008. Ethiopia has and is still benefiting from Chinese government Scholarship with 2008 accounting for 46 Beneficiaries alone. The Chinese government in 2009 laid the foundation stone of the Tirunesh Dibaba Beijing Hospital to accommodate 100 beds. It was funded by China and was to provide medical instruments and equipment (Embassy of the People's Republic of China in Ethiopia, 2009).

5. Conclusion

The Ethiopia-Chinese relationship has grown stronger both in terms of investment and trade. The Chinese firms have been important factors in supply of manufactured goods from China; road construction, telecommunication, installation of large electric power stations. Ethiopia and China created the joint Ethiopia-China commission (JECC) in 1988, which included not only agreement on the protection and promotion of investment, but also cultural and economic agreement. One important example of spill over agreement is educational and capacity building.

Recommendations

Ethio-Chinese relationship is said to be a very cordial one, been ranked as second Chinese business partner to South Africa in some quarters. From the above analysis, we find out that the relation however is on the basis of an unbalance trade, where china is enjoying more export benefit than Ethiopia. Hence we recommend that Ethiopia should look inward to increasing its export capacity not only in raw materials but trying to add value to those products. It is also recommended that china should extend its investment to manufacturing industries instead, and not restricting itself to constructions alone. Finally, it would be more beneficial if china offers loans on open bases and not restricted or tied to constructions alone.

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